

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF EDMORE	County MONTCALM
Audit Date 2/28/05	Opinion Date 4/5/05	Date Accountant Report Submitted to State: 5/18/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

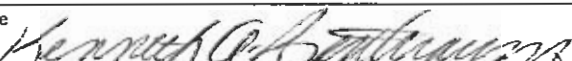
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BERTHAUME & COMPANY CPA			
Street Address 60 HARROW LANE	City SAGINAW	State MI	ZIP 48603
Accountant Signature 		Date 5-18-05	

VILLAGE OF EDMORE

Montcalm County

FINANCIAL STATEMENTS

February 28, 2005

VILLAGE OF EDMORE

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities.....	4
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet	5
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
<i>Proprietary Funds:</i>	
Statement of Net Assets.....	9
Statement of Revenues, Expenses and Changes in Net Assets.....	10
Statement of Cash Flows.....	11
<i>Fiduciary Funds:</i>	
Statement of Net Assets.....	12
Notes to Financial Statements	13
REQUIRED SUPPLEMENTAL INFORMATION:	
Budgetary Comparison Schedule – General Fund.....	28
Budgetary Comparison Schedule – Special Revenue Fund – Major Street Fund.....	29
Budgetary Comparison Schedule – Special Revenue Fund – Local Street Fund.....	30
Budgetary Comparison Schedule – Special Revenue Fund – Economic Development Fund.....	31
OTHER SUPPLEMENTAL INFORMATION:	
<i>General Fund:</i>	
Detailed Schedule of Revenues.....	33
Detailed Schedule of Expenditures.....	34
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	39
<i>Fiduciary Funds:</i>	
Combining Statement of Changes in Assets and Liabilities.....	40
Management Letter	41



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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Edmore
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Edmore, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Edmore's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Edmore, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Edmore's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

As described in Note 14, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of March 1, 2004.

Berthiaume & Co.
April 5, 2005

BASIC FINANCIAL STATEMENTS

VILLAGE OF EDMORE

STATEMENT OF NET ASSETS

February 28, 2005

	<i>PRIMARY GOVERNMENT</i>			
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Component Unit - DDA</i>
ASSETS:				
Cash and cash equivalents	\$ 1,272,416	\$ 811,522	\$ 2,083,938	\$ 166,672
Receivables	466,305	72,024	538,329	26,672
Capital assets:				
Nondepreciable capital assets	60,026	15,804	75,830	16,800
Depreciable capital assets, net	258,114	792,100	1,050,214	98,074
Total assets	2,056,861	1,691,450	3,748,311	308,217
LIABILITIES:				
Accounts payable and accrued expenses	12,732	4,255	16,987	863
Deferred revenue	-	151,446	151,446	-
Total liabilities	12,732	155,701	168,433	863
NET ASSETS:				
Invested in capital assets, net of related debt	318,140	807,904	1,126,044	116,898
Restricted for:				
Streets	405,335	-	405,335	-
Unrestricted	1,320,654	727,845	2,048,499	190,456
Total net assets	\$ 2,044,129	\$ 1,535,749	\$ 3,579,878	\$ 307,354

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

STATEMENT OF ACTIVITIES

Year Ended February 28, 2005

		<i>PROGRAM REVENUES</i>		
		<i>Charges for</i>	<i>Operating</i>	<i>Net</i>
	<i>Expenses</i>	<i>Services</i>	<i>Grants and</i>	<i>(Expense)</i>
			<i>Contributions</i>	<i>Revenue</i>
Functions/Programs				
PRIMARY GOVERNMENT:				
<i>Governmental activities:</i>				
General government	\$ 134,487	\$ 8,771	\$ -	\$ (125,716)
Public safety	122,061	15,943	2,802	(103,316)
Public works	223,999	21,470	111,351	(91,178)
Community and economic development	468	12,091	-	11,623
Recreation and culture	18,328	12,000	-	(6,328)
Interest on long-term debt	6,367	-	-	(6,367)
Total governmental activities	505,710	70,275	114,153	(321,282)
<i>Business-type activities:</i>				
Sewer	118,020	109,033	-	(8,987)
Water	113,814	153,432	-	19,618
Total business-type activities	251,834	262,465	-	10,631
Total primary government	\$ 757,544	\$ 332,740	\$ 114,153	\$ (310,651)
COMPONENT UNITS:				
Downtown development authority	\$ 139,859	\$ 66,340	\$ -	\$ (73,519)
Total component units	\$ 139,859	\$ 66,340	\$ -	(73,519)

continued

The accompanying notes are an integral part of these financial statements.

	PRIMARY GOVERNMENT			
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Component Unit - DDA</i>
Changes in net assets				
Net (expense) revenue	\$ (321,282)	\$ 10,631	\$ (310,651)	\$ (73,519)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	185,864	-	185,864	-
Payment in lieu of property taxes	1,291	-	1,291	-
Franchise taxes	1,255	-	1,255	-
Grants and contributions not restricted to specific programs	126,014	-	126,014	-
Unrestricted investment earnings	6,482	8,740	15,222	1,005
Miscellaneous	18,067	-	18,067	-
Special item – Gain on sale of capital asset	2,500	-	2,500	-
Transfers	24,533	(24,533)	-	-
Total general revenues, contributions, special items and transfers	366,006	(15,793)	350,213	1,005
Change in net assets	44,724	(5,162)	39,562	(72,514)
Net assets, beginning of year	1,999,405	1,540,911	3,540,316	(379,868)
Net assets, end of year	\$ 2,044,129	\$ 1,535,749	\$ 3,579,878	\$ (452,382)

VILLAGE OF EDMORE

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2005

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Economic Development Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:						
Cash and cash equivalents	\$ 382,769	\$ 202,910	\$ 185,752	\$ 325,652	\$ 11,485	\$ 1,108,568
Accounts receivable	13,405	-	-	-	-	13,405
Notes receivable	-	-	-	396,300	-	396,300
Due from other government units	38,580	13,069	4,951	-	-	56,600
Due from other funds	-	-	3,267	-	-	3,267
Total assets	<u>\$ 434,754</u>	<u>\$ 215,979</u>	<u>\$ 193,970</u>	<u>\$ 721,952</u>	<u>\$ 11,485</u>	<u>\$ 1,578,140</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable and accrued expenses	\$ 8,709	\$ 555	\$ 792	\$ -	\$ -	\$ 10,056
Due to other funds	-	3,267	-	-	-	3,267
Deferred revenue	-	-	-	396,300	-	396,300
	<u>8,709</u>	<u>3,822</u>	<u>792</u>	<u>396,300</u>	<u>-</u>	<u>409,623</u>
Fund balances:						
Unreserved:						
General fund	426,045	-	-	-	-	426,045
Special revenue funds	-	212,157	193,178	325,652	-	730,987
Capital projects fund	-	-	-	-	11,485	11,485
Total fund balances	<u>426,045</u>	<u>212,157</u>	<u>193,178</u>	<u>325,652</u>	<u>11,485</u>	<u>1,168,517</u>
Total liabilities and fund balances	<u>\$ 434,754</u>	<u>\$ 215,979</u>	<u>\$ 193,970</u>	<u>\$ 721,952</u>	<u>\$ 11,485</u>	<u>\$ 1,578,140</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENT FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 28, 2005

Total fund balances for governmental funds			\$ 1,168,517
Total net assets reported for governmental activities in the state of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Governmental capital assets	356,670		
Less accumulated depreciation	<u>(118,936)</u>	237,734	
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		396,300	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		<u>241,578</u>	
Net assets of governmental activities			<u><u>\$ 2,044,129</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2005

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Economic Development Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:						
Taxes	\$ 187,155	\$ -	\$ -	\$ -	\$ -	\$ 187,155
Licenses and permits	1,270	-	-	-	-	1,270
State grants	128,816	76,994	34,357	-	-	240,167
Contributions from other units	12,516	-	-	-	-	12,516
Charges for services	27,976	-	-	250	-	28,226
Interest and rents	15,023	1,078	916	12,990	75	30,082
Other revenue	22,854	-	25	43,699	-	66,578
Total revenues	395,610	78,072	35,298	56,939	75	565,994
Expenditures:						
Current:						
General government	110,957	-	-	-	-	110,957
Public safety	85,538	-	-	-	-	85,538
Public works	110,127	20,683	53,542	-	-	184,352
Community and economic development	68	-	-	300	100	468
Recreation and culture	19,639	-	-	-	-	19,639
Other	78,098	-	-	-	-	78,098
Capital outlay	30,841	-	-	-	-	30,841
Debt service:						
Principal	-	-	-	-	26,000	26,000
Interest and charges	-	-	-	-	1,738	1,738
Total expenditures	435,268	20,683	53,542	300	27,838	537,631
Excess (deficiency) of revenues over expenditures	(39,658)	57,389	(18,244)	56,639	(27,763)	28,363
Other financing sources (uses):						
Transfers in	-	9,813	50,742	-	27,297	87,862
Transfers out	(17,025)	(29,926)	(16,378)	-	-	(63,329)
Total other financing sources (uses)	(17,025)	(20,113)	34,374	-	27,297	24,533
Net change in fund balances	(56,683)	37,276	16,130	56,639	(466)	52,896
Fund balances, beginning of year, as restated	482,728	174,881	177,048	269,013	11,951	1,115,621
Fund balances, end of year	\$ 426,045	\$ 212,157	\$ 193,178	\$ 325,652	\$ 11,485	\$1,168,517

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended February 28, 2005

Net change in fund balances – total governmental funds \$ 52,896

Total change in net assets reported for governmental activities in the statements of activities is different because:

Governmental fund report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	29,729	
Less depreciation expense	<u>(17,107)</u>	12,622

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds. (43,699)

Repayments of principal on capital leases and contracts is an expenditures in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 26,000

The net revenue (expense) of the internal service fund is reported with governmental activities. (3,095)

Change in net asset of governmental activities \$ 44,724

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

February 28, 2005

	<u>MAJOR ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL ACTIVITIES</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	<u>Internal Service</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 297,561	\$ 513,961	\$ 811,522	\$ 163,848
Accounts receivable	34,516	37,508	72,024	-
Total current assets	332,077	551,469	883,546	163,848
Noncurrent assets:				
Capital assets:				
Nondepreciable capital assets	13,050	2,754	15,804	-
Depreciable capital assets, net	100,826	691,274	792,100	80,406
Total noncurrent assets	113,876	694,028	807,904	80,406
Total assets	444,953	1,245,497	1,691,450	244,254
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	1,429	2,826	4,255	2,676
Deferred revenue	-	151,446	151,446	-
Total current liabilities	1,429	154,272	155,701	2,676
Net assets:				
Invested in capital assets, net of related debt	113,876	694,028	807,904	80,406
Unrestricted	330,648	397,197	727,845	161,172
Total net assets	\$ 444,524	\$ 1,091,225	\$ 1,535,749	\$ 241,578

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 28, 2005

	MAJOR ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	Sewer Fund	Water Fund	Total	Internal Service
Operating revenues:				
Charges for services	\$ 105,473	\$ 135,027	\$ 240,500	\$ 70,375
Penalties	1,285	1,715	3,000	-
Other	2,275	16,690	18,965	50
Total operating revenues	109,033	153,432	262,465	70,425
Operating expenses:				
Personnel	31,014	35,225	66,239	25,654
Fringe benefits	19,168	20,732	39,900	16,445
Supplies	986	4,241	5,227	4,698
Contracted services	28,946	11,868	40,814	860
Telephone	768	1,604	2,372	-
Dues and membership fees	-	62	62	-
Education and training	50	395	445	-
Printing and publishing	-	172	172	-
Insurance	2,037	2,948	4,985	5,411
Utilities	3,033	8,806	11,839	-
Repair and maintenance	1,499	4,569	6,068	6,344
Equipment rental	10,974	7,912	18,886	-
Depreciation	19,545	35,280	54,825	17,664
Total operating expenses	118,020	133,814	251,834	77,076
Operating income (loss)	(8,987)	19,618	10,631	(6,651)
Non-operating revenues (expenses):				
Interest income	3,759	4,981	8,740	1,056
Gain on sale of assets	-	-	-	2,500
Total non-operating revenues (expenses)	3,759	4,981	8,740	3,556
Net income (loss) before operating transfers	(5,228)	24,599	19,371	(3,095)
Operating transfers:				
Transfer to other funds	(12,267)	(12,266)	(24,533)	-
Total operating transfers	(12,267)	(12,266)	(24,533)	-
Net income (loss)	(17,495)	12,333	(5,162)	(3,095)
Net assets, beginning of year	462,019	1,078,892	1,540,911	244,673
Net assets, end of year	\$ 444,524	\$ 1,091,225	\$ 1,535,749	\$ 241,578

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended February 28, 2005

	MAJOR ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	<i>Internal Service</i>
Cash flows from operating activities:				
Cash received from customers	\$ 108,240	\$ 138,201	\$ 246,441	\$ 70,425
Cash payments to employees	(31,014)	(35,225)	(66,239)	(25,654)
Cash payments to suppliers for goods and services	(67,997)	(63,828)	(131,825)	(34,344)
Net cash provided (used) by operating activities	9,229	39,148	48,377	10,427
Cash flows from non-capital financing activities:				
Operating transfers out	(12,267)	(12,266)	(24,533)	-
Net cash provided (used) by non-capital financing activities	(12,267)	(12,266)	(24,533)	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	-	-	(16,087)
Gain on sale of assets	-	-	-	2,500
Net cash provided (used) by capital and related financing activities	-	-	-	(13,587)
Cash flows from investing activities:				
Interest received	3,759	4,981	8,740	1,056
Net cash provided (used) by investing activities	3,759	4,981	8,740	1,056
Net increase (decrease) in cash and cash equivalents	721	31,863	57,117	(2,104)
Cash and cash equivalents, beginning of year	296,840	482,098	778,938	165,952
Cash and cash equivalents, end of year	\$ 297,561	\$ 513,961	\$ 836,055	\$ 163,848
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (8,987)	\$ 19,618	\$ 10,631	\$ (6,651)
Adjustments:				
Depreciation	19,545	35,280	54,825	17,664
Changes in assets and liabilities:				
Accounts receivable	(793)	(708)	(1,501)	-
Accounts payable and accrued expenses	(536)	(519)	(1,055)	(586)
Deferred revenue	-	(14,523)	(14,523)	-
Net cash provided (used) by operating activities	\$ 9,229	\$ 39,148	\$ 48,377	\$ 10,427

The accompanying notes are an integral part of this statement.

VILLAGE OF EDMORE

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
February 28, 2005

Assets:

Cash and cash equivalents	\$ 38,213
Total assets	<u>38,213</u>

Liabilities:

Accounts payable and accrued expenses	<u>38,213</u>
Total liabilities	<u>38,213</u>

Net assets:

Unrestricted	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of this statement.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Edmore conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

Discretely Presented Component Units - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated inter fund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the maintenance and construction of the Village's major street system.

The **Local Street Fund** is used to account for the maintenance and construction of the Village's local street system.

The **Economic Development Fund** is used to account for loans and repayments (revolving loans) to local business to encourage economic growth in the Village.

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15-20 years
Vehicles	5-10 years
Equipment	5-20 years
Distribution systems	25-50 years
Infrastructure	5-25 years

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2004 taxable valuation of the Village totaled \$ 20,287,205, on which ad valorem taxes levied consisted of 9.3442 mills for the Village’s operating purposes and 1.1288 mills for rubbish collection.

The delinquent real property taxes of the Village are purchased by Montcalm County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur expenditures that were in excess of the amounts budgeted.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

NOTE 3: DEPOSITS AND INVESTMENTS

The Village's deposits and investments at February 28, 2005 are included in the statement of net assets under the following categories:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>	<i><u>Total Primary Government</u></i>	<i><u>Component Unit</u></i>
Cash and cash equivalents	\$ 1,272,416	\$ 811,522	\$ 2,083,938	\$ 166,671
Investments	-	-	-	-
	<u>\$ 1,272,416</u>	<u>\$ 811,522</u>	<u>\$ 2,083,938</u>	<u>\$ 166,671</u>

Deposits:

The breakdown between deposits and investments for the Village is as follows:

	<i><u>Primary Government</u></i>	<i><u>Component Unit</u></i>
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 2,083,888	\$ 166,671
Petty cash and cash on hand	<u>50</u>	<u>-</u>
Total	<u>\$ 2,083,938</u>	<u>\$ 166,671</u>

The deposits of the primary government and component unit were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$2,257,397, of which \$656,000 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

NOTE 4: NOTES RECEIVABLE

The Economic Development Fund makes low and non-interest bearing loans to businesses located within the Village's Downtown Development District. The balance of these notes at February 28, 2005 was \$396,300. This balance was recorded on the statement of net assets as a receivable. No allowance has been made for uncollectible amounts because all are currently considered collectable.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

NOTE 5: DEFERRED REVENUE IN GOVERNMENTAL FUNDS

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<i>Unavailable</i>	<i>Unearned</i>	<i>Total Deferred Revenue</i>
Primary Government:			
Notes receivable	\$ 396,300	\$ -	\$ 396,300

Only the unearned component of deferred revenue is carried forward to the government-wide statement of net assets.

NOTE 6: CAPITAL ASSETS

Primary Government and Component Unit capital asset activity for the year ended February 28, 2005 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 60,026	\$ -	\$ -	\$ 60,026
Depreciable capital assets:				
Buildings and improvements	82,933	-	-	82,933
Land improvements	96,268	-	-	96,268
Equipment	221,002	29,729	(8,354)	242,377
Vehicles	220,389	16,087	(10,989)	225,487
	<u>620,592</u>	<u>45,816</u>	<u>(19,343)</u>	<u>647,065</u>
Total capital assets	<u>680,618</u>	<u>45,816</u>	<u>(19,343)</u>	<u>707,091</u>
Accumulated depreciation	<u>(373,432)</u>	<u>(34,771)</u>	<u>19,252</u>	<u>(388,951)</u>
Depreciable capital assets, net	<u>247,160</u>	<u>11,045</u>	<u>(91)</u>	<u>258,114</u>
Governmental activities, capital assets, net	<u>\$ 307,186</u>	<u>\$ 11,045</u>	<u>\$ (91)</u>	<u>\$ 318,140</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 15,804	\$ -	\$ -	\$ 15,804
	<u>15,804</u>	<u>-</u>	<u>-</u>	<u>15,804</u>
Depreciable capital assets:				
Equipment	121,169	-	-	121,169
Distribution system	<u>2,065,284</u>	<u>-</u>	<u>-</u>	<u>2,065,284</u>
	<u>2,186,453</u>	<u>-</u>	<u>-</u>	<u>2,186,453</u>
Total capital assets	<u>2,202,257</u>	<u>-</u>	<u>-</u>	<u>2,202,257</u>
Accumulated depreciation	<u>(1,339,529)</u>	<u>(54,824)</u>	<u>-</u>	<u>(1,394,353)</u>
Depreciable capital assets, net	<u>846,924</u>	<u>(54,824)</u>	<u>-</u>	<u>792,100</u>
Business-type activities, capital assets, net	<u>\$ 862,728</u>	<u>\$ (54,824)</u>	<u>\$ -</u>	<u>\$ 807,904</u>
Component Units:				
Capital assets not being depreciated:				
Land	\$ 16,800	\$ -	\$ -	\$ 16,800
Capital assets being depreciated:				
Buildings and improvements	<u>101,200</u>	<u>-</u>	<u>-</u>	<u>101,200</u>
Total capital assets being depreciated	<u>101,200</u>	<u>-</u>	<u>-</u>	<u>101,200</u>
Accumulated depreciation	<u>(1,102)</u>	<u>(2,024)</u>	<u>-</u>	<u>(3,126)</u>
Net capital assets being depreciated	<u>100,098</u>	<u>(2,024)</u>	<u>-</u>	<u>98,074</u>
Net component units capital assets	<u>\$ 116,898</u>	<u>\$ (2,024)</u>	<u>\$ -</u>	<u>\$ 114,874</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 2,637
Public safety	8,688
Public works	18,817
Recreation and culture	<u>4,629</u>

Total governmental activities	<u><u>\$ 34,771</u></u>
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Business-type activities:

Sewer	\$ 19,545
Water	<u>35,280</u>

Total business-type activities	<u><u>\$ 89,596</u></u>
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Component Unit:

Downtown Development Authority	<u>\$ 2,024</u>
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Total component units	<u><u>\$ 2,024</u></u>
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NOTE 7: DEFERRED REVENUE IN WATER FUND

On September 8, 1997, the Village entered into a "Water Service Contract" with Home Township. The purpose of the contract is for the Village of Edmore to provide public water service within a designated service area on a retail basis to meet the potable water needs of certain businesses and residents in the Township. In conjunction with this contract the Village and the Township entered into a separate Water Main Construction Agreement with Hitachi Magnetics Corporation and General Electric Corporation. In this connection, in 1997 Hitachi/General Electric was required to pay the Village \$240,100 for the project/services. This \$240,100 amount was recorded on the Water Fund balance sheet as a Deferred Revenue because the contract stipulates that if the contract is terminated during the first ten years, a portion of the project/construction funds (plus interest) paid by General Electric Company and Hitachi Magnetic Corporation are to be reimbursed to them pro-rated based on the years the contract actually stayed in effect. As of February 28, 2005, the balance of the deferred revenue (unearned portion of the \$240,100 receipt plus interest) is \$151,446.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

NOTE 8: LONG-TERM LIABILITIES

The Village may issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at February 28, 2005 consisted of the following:

<u><i>Types of Indebtedness</i></u>	<u><i>Maturity</i></u>	<u><i>Interest Rates</i></u>	<u><i>Annual Principal Installments</i></u>	<u><i>Original Issue Amount</i></u>	<u><i>Outstanding at Year-End</i></u>
<u>Governmental Activities</u>					
<u>General Obligation Bonds:</u>					
1991 Issue - Storm Drainage Bonds					
Serial Current Interest Bonds	4/1/04-4/1/26	5.875%	\$2,000-9,000	\$ 200,000	\$ -

General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

The following is a summary of long-term liabilities transactions for the year ended February 28, 2005:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
Governmental activities:					
General Obligation Bonds:					
1991 Issue	\$ 26,000	\$ -	\$ (26,000)	\$ -	\$ -
Total governmental activities					
- long-term liabilities	<u>\$ 26,000</u>	<u>\$ -</u>	<u>\$ (26,000)</u>	<u>\$ -</u>	<u>\$ -</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

NOTE 9: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>
Receivables:A26		
Accounts	\$ 13,405	\$ 72,024
Notes	396,300	-
Intergovernmental	56,600	-
Total receivables	<u>\$ 466,305</u>	<u>\$ 72,024</u>
Accounts payable and accrued expenses:		
Accounts	\$ 2,429	\$ 297
Payroll and related liabilities	10,303	3,958
Total accounts payable and accrued expenses	<u>\$ 12,732</u>	<u>\$ 4,255</u>

NOTE 10: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at February 28, 2005 is as follows:

<i><u>Receivable Fund</u></i>	<i><u>Payable Fund</u></i>	<i><u>Amount</u></i>
Local Street Fund	Major Street Fund	<u>\$ 3,267</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<i><u>Funds Transferred From</u></i>	<i><u>Funds Transferred To</u></i>	<i><u>Amount</u></i>
General Fund	Local Street Fund	\$ 17,025
Major Street Fund	Local Street Fund	19,007
	Debt Service Fund	10,919
Local Street Fund	Debt Service Fund	16,378
Sewer Fund	Local Street Fund	12,267
Water Fund	Major Street Fund	9,813
	Local Street Fund	<u>2,453</u>
	Total	<u>\$ 87,862</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; injuries to employees (workers' compensation); and certain medical benefits provided to employees.

The Village manages its risk liability with products administered through the Michigan Municipal League. Liability and property risk, by participating in Liability and Property Pool, workers compensation, by participating in the Worker's Compensation Fund, health insurance, by participating in Municipal Benefit Services, and unemployment, by participating in the Unemployment Compensation Fund. All these plans are self-sustaining through member premiums and provide, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12: DEFINED CONTRIBUTION PENSION PLAN

The Village has a defined contribution pension plan administered by The Equitable Life Assurance Society of the United States. All employees that have reached age 18, worked at least six months in the last five plan years, and made more than \$450 in the plan year are eligible for benefits. The Village contributes 10% of each eligible employee's pay to the plan. For the fiscal year ended February 28, 2005, the Village made contributions of \$22,004 into the pension plan.

NOTE 13: POST EMPLOYMENT BENEFITS

The Village currently does not provide post employment benefits other than its pension plan.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

NOTE 14: PRIOR PERIOD ADJUSTMENTS

Change in Recognition of Sales Tax Revenue:

Recognition of state shared revenue payments of sales tax should agree with the State of Michigan's distribution periods. In prior years, the payment distributed in April for January/February collection period was recorded as revenue in the next year, or the year that it was received. In accordance with accounting principles generally accepted in the United States of America, this payment should be accrued to the prior year.

The effect of this adjustment on General Fund fund balance is as follows:

Fund balance, as previously stated, as of 2/29/04	\$ 346,283
Add: State shared revenue for sales tax that should have accrued to prior year	<u>12,553</u>
Fund balance, restated, as of 2/29/04	<u>\$ 358,836</u>

Accounting Change:

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (Statement). The Village is required to implement the new requirements for the year ended February 28, 2005. The more significant of the changes to the financial statements as a result of the Statement are as follows:

For the first time, the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Village's activities.
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental and enterprise funds.

As a result of implementing the Statement, the following restatements were made to beginning fund balance and net asset accounts:

Fund Financial Statements:

The beginning net assets of the enterprise funds and of the internal service funds were derived by aggregating the previously reported retained earnings and contributed capital of those funds.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2005

Government-wide Financial Statements:

Beginning net assets for governmental activities was determined as follows:

Fund balances of general, special revenue, debt service, and capital projects funds as of 2/29/04, as restated	\$ 1,115,621
Add: Governmental capital assets, including general fixed assets	335,295
Deduct: Accumulated depreciation as of 2/29/04 on above governmental capital assets	(110,183)
Add: Governmental internal service fund net assets as of 2/29/04	244,673
Deduct: Bonds payable as of 2/29/04	(26,000)
Add: Deferred revenue recognized as revenue as of 2/29/04	<u>439,999</u>
Governmental net assets, restated, as of 3/1/04	<u><u>\$ 1,999,405</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF EDMORE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2005

	<i><u>Budgeted Amounts</u></i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i><u>Original</u></i>	<i><u>Final</u></i>	<i><u>Actual</u></i>	
Revenues:				
Property taxes	\$ 211,325	\$ 219,489	\$ 187,155	\$ (32,334)
Licenses and permits	2,200	1,215	1,270	55
State grants	111,300	126,966	128,816	1,850
Contributions from other units	4,000	12,000	12,516	516
Charges for services	29,100	29,100	27,976	(1,124)
Interest and rents	14,720	14,820	15,023	203
Other revenue	16,000	22,270	22,854	584
Total revenues	<u>388,645</u>	<u>425,860</u>	<u>395,610</u>	<u>(30,250)</u>
Expenditures:				
Current:				
General government	1,142,109	119,299	110,957	(8,342)
Public safety	90,220	92,736	85,538	(7,198)
Public works	129,250	117,170	110,127	(7,043)
Community and economic development	70,000	32,351	68	(32,283)
Recreation and culture	20,335	19,835	19,639	(196)
Other	79,900	84,655	78,098	(6,557)
Capital outlay	29,945	30,890	30,841	(49)
Total expenditures	<u>533,860</u>	<u>496,936</u>	<u>435,268</u>	<u>(61,668)</u>
Excess (deficiency) of revenues over expenditures	<u>(145,215)</u>	<u>(71,076)</u>	<u>(39,658)</u>	<u>31,418</u>
Other financing sources (uses):				
Transfers out	<u>(18,000)</u>	<u>(17,025)</u>	<u>(17,025)</u>	<u>-</u>
Total other financing sources (uses)	<u>(18,000)</u>	<u>(17,025)</u>	<u>(17,025)</u>	<u>-</u>
Net change in fund balance	(163,215)	(88,101)	(56,683)	31,418
Fund balance, beginning of year, as restated	<u>482,728</u>	<u>482,728</u>	<u>482,728</u>	<u>-</u>
Fund balance, end of year	<u>\$ 319,513</u>	<u>\$ 394,627</u>	<u>\$ 426,045</u>	<u>\$ 31,418</u>

VILLAGE OF EDMORE

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2005

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under) Final Budget</i>
Revenues:				
State grants	\$ 70,500	\$ 74,679	\$ 76,994	\$ 2,315
Interest and rents	1,000	1,000	1,078	78
Total revenues	71,500	75,679	78,072	2,393
Expenditures:				
Current:				
Public works	23,825	28,983	20,683	(8,300)
Total expenditures	23,825	28,983	20,683	(8,300)
Excess (deficiency) of revenues over expenditures	47,675	46,696	57,389	10,693
Other financing sources (uses):				
Transfers in	-	9,813	9,813	-
Transfers out	(19,500)	(29,926)	(29,826)	-
Total other financing sources (uses)	(18,000)	(17,025)	(17,025)	-
Net change in fund balance	28,175	26,583	37,276	10,693
Fund balance, beginning of year	174,881	174,881	174,881	-
Fund balance, end of year	\$ 203,056	\$ 201,464	\$ 212,157	\$ 10,693

VILLAGE OF EDMORE

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2005

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>		
Revenues:				
State grants	\$ 27,500	\$ 34,080	\$ 34,357	\$ 277
Interest and rents	1,050	1,050	916	(134)
Total revenues	28,550	35,130	35,298	143
Expenditures:				
Current:				
Public works	57,040	56,772	53,542	(3,230)
Total expenditures	57,040	56,772	53,542	(3,230)
Excess (deficiency) of revenues over expenditures	(28,490)	(21,642)	(18,244)	3,373
Other financing sources (uses):				
Transfers in	17,500	50,246	50,752	506
Transfers out	(3,000)	(16,378)	(16,378)	-
Total other financing sources (uses)	14,500	33,868	34,374	506
Net change in fund balance	(13,990)	12,226	16,130	3,879
Fund balance, beginning of year	177,048	177,048	177,048	-
Fund balance, end of year	\$ 163,058	\$ 189,274	\$ 193,178	\$ 3,879

VILLAGE OF EDMORE

SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2005

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
Revenues:				
Charges for services	\$ 250	\$ 250	\$ 250	\$ -
Interest and rents	14,415	14,415	12,990	(1,425)
Other revenue	-	-	43,699	43,699
Total revenues	14,665	14,665	56,939	42,274
Expenditures:				
Current:				
Community and economic development	300	300	300	-
Total expenditures	300	300	300	-
Excess (deficiency) of revenues over expenditures	14,365	14,365	56,639	42,274
Fund balance, beginning of year	269,013	269,013	269,013	-
Fund balance, end of year	\$ 283,378	\$ 283,378	\$ 325,652	\$ 42,274

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended February 28, 2005

REVENUES:

Current taxes:

Property taxes	\$ 181,975
Penalties and interest on taxes	92
Property tax administration fees	3,797
Payment in lieu of taxes	1,291
	<hr/>
	187,155

Licenses and permits:

Business licenses and permits	15
CATV franchise fees	1,255
	<hr/>
	1,270

State grants:

Liquor license fees	1,335
State revenue sharing – sales tax	126,014
Police training grant	1,467
	<hr/>
	128,816

Contributions from other units:

Contribution from Downtown Development Authority	4,348
Contribution from Edmore Home Police Authority	4,250
Reimbursement from Montabella Schools	200
County penal fines	3,718
	<hr/>
	12,516

Charges for services:

Refuse collection fees	21,445
Cemetery fees	6,146
Zoning/Variance/Appeals fees	385
	<hr/>
	27,976

Interest and rent:

Interest	1,823
Rents	13,200
	<hr/>
	15,023

Other revenue:

Cemetery lots and perpetual care	2,625
Contributions from Glenn Curtis estate	14,418
Refunds and rebates	4,000
Other	1,811
	<hr/>
	22,854

Total revenues	<hr/>
	\$ 395,610

VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 28, 2005

EXPENDITURES:

General Government:

Council:

Personnel	\$ 7,583
Supplies	887
Contracted services	11,150
Dues and memberships	1,059
Printing and publications	511
Other	3,882
	<hr/>
	25,072

Manager:

Personnel	9,834
Supplies	2,247
Contracted services	3,390
Telephone	2,091
Mileage/auto	474
Dues and memberships	395
Conference and travel	2,187
Other	219
	<hr/>
	20,837

Accounting Finance:

Personnel	5,135
Supplies	1,819
Contracted services	6,105
Telephone	1,712
	<hr/>
	14,771

Clerk:

Personnel	1,620
Supplies	245
Printing and publications	1,603
	<hr/>
	3,468

Audit:

Contracted services	1,870
	<hr/>
	1,870

Treasurer:

Personnel	765
Supplies	350
Contracted services	682
	<hr/>
	1,797

VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2005

EXPENDITURES, continued:

General Government, continued:

Elections:

Personnel	508
Supplies	9
Contracted services	142
Printing and publications	225
	<hr/>
	884

Building and Grounds:

Supplies	173
Contracted services	382
Utilities	2,640
	<hr/>
	3,195

Cemetery:

Personnel	20,392
Supplies	1,001
Utilities	74
Equipment rental	14,691
	<hr/>
	36,158

Other General Services:

Contracted services	2,905
	<hr/>
	2,905

Total general government	<hr/>
	110,957

Public Safety:

Police:

Personnel	59,773
Supplies	12,305
Contracted services	1,901
Telephone	965
Transportation	71
Registration, dues and training	1,007
Printing and publications	877
Insurance	4,565
Utilities	1,700
Repairs and maintenance	2,290
Other	84
	<hr/>
	85,538

Total public safety	<hr/>
	85,538

VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2005

EXPENDITURES, continued:

Public Works:

Department of Public Works:

Personnel	24,228
Supplies	1,124
Contracted services	85
Telephone	1,324
Utilities	4,992
Equipment rental	11,913
	<hr/>
	43,666

Street Lighting:

Utilities	17,858
	<hr/>
	17,858

Refuse:

Personnel	9,895
Supplies	5,725
Contracted services	24,000
Equipment rental	8,983
	<hr/>
	48,603

Total public works	<hr/>
	110,127

Community and Economic Development:

Planning Commission:

Printing and publications	68
	<hr/>
	68

Total community and economic development	<hr/>
	68

Recreation and Culture:

Parks and Recreation:

Personnel	10,415
Supplies	644
Contracted services	300
Utilities	2,246
Equipment rental	6,034
	<hr/>
	19,639

Total recreation and culture	<hr/>
	19,639

VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2005

EXPENDITURES, continued:

Other:

Insurance and Bonds:

Insurance	10,003
	<u>10,003</u>

Employee Benefits:

Fringe benefits	38,588
	<u>38,588</u>

Retirement:

Fringe benefits	13,419
	<u>13,419</u>

Payroll Taxes:

Fringe benefits	16,088
	<u>16,088</u>

Total other	<u>78,098</u>
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Capital Outlay:

General government	14,788
Public safety	3,594
Recreation and culture	12,459
	<u>30,841</u>

Total expenditures	<u>435,268</u>
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Other financing uses:

Transfers to other funds	17,025
	<u>17,025</u>

Total expenditures and other financing uses	<u>\$ 452,293</u>
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VILLAGE OF EDMORE

SPECIAL REVENUE FUNDS **COMBINING BALANCE SHEET**

February 28, 2005

	<i>DEBT SERVICE FUND</i>	<i>CAPITAL PROJECTS FUND</i>	<i>Total Nonmajor Governmental Funds</i>
	<i>1991 Storm Drainage Bonds</i>	<i>Industrial Complex Construction</i>	
Assets:			
Cash and cash equivalents	\$ -	\$ 11,485	\$ 11,485
Total assets	\$ -	\$ 11,485	\$ 11,485
Liabilities and Fund Balances:			
<i>Liabilities:</i>			
Accounts payable and accrued expenses	\$ -	\$ -	\$ -
Total liabilities	-	-	-
<i>Fund balances:</i>			
Unreserved:			
Capital Projects Fund	-	11,485	11,485
Total fund balances	-	11,485	11,485
Total liabilities and fund balances	\$ -	\$ 11,485	\$ 11,485

VILLAGE OF EDMORE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended February 28, 2005

	<i>DEBT SERVICE FUND</i>	<i>CAPITAL PROJECTS FUND</i>	<i>Total Nonmajor Governmental Funds</i>
	<i>1991 Storm Drainage Bonds</i>	<i>Industrial Complex Construction</i>	
Revenues:			
Interest and rents	\$ -	\$ 75	\$ 75
Total revenues	-	75	75
Expenditures:			
Current:			
Community and economic development	-	100	100
Debt service:			
Principal	26,000	-	26,000
Interest and charges	1,738	-	1,738
Total expenditures	27,738	100	27,838
Excess (deficiency) of revenues over expenditures	(27,738)	(25)	(27,763)
Other financing sources:			
Transfers in	27,297	-	27,297
Total other financing sources	27,297	-	27,297
Net change in fund balance	(441)	(25)	(466)
Fund balance, beginning of year	441	11,510	11,951
Fund balance, end of year	\$ -	\$ 11,485	\$ 11,485

VILLAGE OF EDMORE

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended February 28, 2005

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deductions</i>	<i>Ending Balance</i>
CURRENT TAX COLLECTION				
Assets:				
Cash and cash equivalents	\$ 51	\$ 200,425	\$ 200,425	\$ 51
Liabilities:				
Accounts payable and accrued expenses	\$ 51	\$ 200,425	\$ 200,425	\$ 51
PAYROLL				
Assets:				
Cash and cash equivalents	\$ 7,495	\$ 405,808	\$ 397,338	\$ 15,965
Liabilities:				
Accounts payable and accrued expenses	\$ 7,495	\$ 405,808	\$ 397,338	\$ 15,965
GLENN CURTIS ESTATE				
Assets:				
Cash and cash equivalents	\$ 11,823	\$ 125,713	\$ 115,170	\$ 22,366
Liabilities:				
Accounts payable and accrued expenses	\$ 11,823	\$ 125,713	\$ 115,170	\$ 22,366
TOTAL - ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 19,200	\$ 731,946	\$ 712,933	\$ 38,213
Liabilities:				
Accounts payable and accrued expenses	\$ 19,200	\$ 731,946	\$ 712,933	\$ 38,213



**BERTHIAUME
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MANAGEMENT LETTER

To the Village Council
Village of Edmore
Montcalm County, Michigan

We have completed our audit of the financial statements of the Village of Edmore for the year ended February 28, 2005, and have issued our report thereon dated April 5, 2005. As part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Village's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Village of Edmore taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of the Village management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Berthiaume & Company
Certified Public Accountants

April 5, 2005